

**PPHE Hotel Group Limited**  
("PPHE Hotel Group", the "Group", or the "Company")

**Unaudited Preliminary Results for the year ended 31 December 2012**

PPHE Hotel Group, owner, operator, developer and franchisor of hotels today reports its unaudited preliminary results for the year ended 31 December 2012.

**Summary**

**Financial Statistics**  
**Euro (€)**

	Reported			Like for Like*		
	Year ended 31 Dec 2012	Year ended 31 Dec 2011	% change**	Year ended 31 Dec 2012	Year ended 31 Dec 2011	% change**
<b>Total Revenue</b>	€242.1 million	€202.4 million	+19.6	€228.8 million	€202.4 million	+13.0
<b>EBITDAR</b>	€96.8 million	€75.0 million	+29.0	€92.2 million	€75.0 million	+22.9
<b>EBITDA</b>	€85.6 million	€65.0 million	+31.6	€81.0 million	€65.0 million	+24.5
<b>Profit before tax</b>	€67.6 million	€10.6 million	+535.6	-	-	-
<b>Normalised profit before tax***</b>	€24.0 million	€13.6 million	+76.7	-	-	-
<b>EBITDA margin</b>	35.4%	32.1%	-	35.4%	32.1%	-
<b>Occupancy</b>	77.4%	77.7%	(0.3)	77.4%	77.7%	(0.3)
<b>Average room rate</b>	€130.9	€119.2	+9.8	€130.9	€119.2	+9.8
<b>RevPAR</b>	€101.3	€92.6	+9.4	€101.3	€92.6	+9.4

\* In the like for like comparison figures, the financial contribution of Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam and Park Plaza Utrecht in 2012 has been calculated on the basis of the ownership interest of PPHE Hotel Group in those hotels during the same period in 2011

\*\* Percentage figures are calculated from actual figures as opposed to the rounded figures included in the tables.

\*\*\* Normalised profit before tax includes adjustments for fair value losses from derivatives, one-off (re-) finance expenses and other income.

**Highlights:**

- Total Group revenue increased by 19.6% to €242.1 million (2011: €202.4 million)
- EBITDAR increased by 29.0% to €96.8 million (2011: €75.0 million)
- EBITDA increased by 31.6% to €85.6 million (2011: €65.0 million)
- Impressive performance of the London hotels, which strongly benefited from the Olympic Games
- Acquired joint venture interests in three hotels and one development in the Netherlands
- Acquisition and simultaneous sale and leaseback of a development site in West London
- Three Arenaturist hotels in Croatia fully refurbished and reopened as Park Plaza resorts
- Completed extensive refurbishments at art'otel berlin city center west, Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam, Park Plaza Leeds and art'otel budapest
- Contracted to conditionally sell a development site in Pattaya Bay, Thailand in January 2013
- Proposed final dividend of 6.0 pence per share for the year ended 31 December 2012; total dividend for the year 12.0 pence per share (2011: 6.0 pence per share)

Commenting on the results, Boris Ivesha, President and Chief Executive of PPHE Hotel Group Limited, said:

*"I am pleased to report a record set of results with total revenue up 19.6% and EBITDA up 31.6% and an improved EBITDA margin. Our London hotels performed particularly strongly during the Olympic Games and we benefited from full ownership of our hotels in The Netherlands. In addition, we have further extended and progressed our pipeline of development projects to strengthen our position in key gateway cities and regional centres. Although we remain mindful of macroeconomic uncertainties, our focus on revenue generation whilst tightly managing our costs means that we are well placed for further growth."*

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**Note to editors:**

PPHE Hotel Group Limited (formerly Park Plaza Hotels Limited) is a Guernsey registered company, which, through its subsidiaries, jointly controlled entities and associates, owns, leases, operates, franchises and develops full service upscale and lifestyle hotels in major gateway cities and regional centres, predominantly in Europe.

The majority of the Group's hotels operate under two distinct brands, Park Plaza(R) Hotels & Resorts and art'otel(R). The Company has an exclusive licence from Carlson(SM), a global privately owned hospitality and travel company, to develop and operate Park Plaza(R) Hotels & Resorts in Europe, the Middle East and Africa. The art'otel(R) brand is fully owned by the Company.

The Group has a minority ownership interest in the Arenaturist group, one of Croatia's leading hospitality companies. The Group's portfolio of owned, leased, managed and franchised hotels comprises 38 hotels offering a total of more than 8,200 rooms. Its development pipeline includes four new hotels, which together are expected to add nearly 800 rooms to the portfolio by the end of 2015.

Our company:

[www.pphe.com](http://www.pphe.com)

Our brands:

[www.parkplaza.com](http://www.parkplaza.com)

[www.artotels.com](http://www.artotels.com)

[www.arenaturist.com](http://www.arenaturist.com)

For images and logos visit [www.vfmii.com/parkplaza](http://www.vfmii.com/parkplaza)

*Forward-looking statements*

*This document may contain certain "forward-looking statements" which reflect the Company's and/or the Directors' current views with respect to financial performance, business strategy and future plans, both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will*

*be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. Any forward-looking statements in this document reflect the Group's current views with respect to future events and are subject to risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. These forward-looking statements speak only as of the date of this document. Subject to any legal or regulatory obligations, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Nothing in this publication should be considered as a profit forecast.*

## Chairman's statement

I am delighted to report that 2012 has been another year of significant progress for the Company. Once again we reported strong financial results, generating record revenue and EBITDA. Our focus over the year has been on the efficient operation of our existing hotels which has been reflected in EBITDA margin growth. In addition, we have continued to advance future developments which, coupled with our leading position in key gateway cities, means that we are well positioned to build on our excellent progress to date.

The macroeconomic environment in the period remained very challenging, with business and consumer sentiment continuing to be impacted by the Eurozone crisis. Against this backdrop, I am very proud that we were able to achieve record results driven by the strong performance of our London hotels, improved margins and our increased ownership of three hotels and the art'otel amsterdam project in The Netherlands.

We continued to leverage our relationship with the Carlson Rezidor Hotel Group ('Carlson'), which provides us with significant scale in our distribution, sales and marketing activities.

Once again our performance has been recognised by our industry and I am very pleased that we won a number of impressive awards. These awards reflect the hard work and dedication of our staff, and the investment which the company makes in their training and development. We have also focused more on sustainability, and most notably have revised our corporate social responsibility policy and set clear targets to further reduce our business' impact on the environment.

We have remained focused on driving revenue through expansion of our hotel portfolio and during the year we have continued to make good progress. We are particularly excited about the planned opening of our first art'otel in The Netherlands, art'otel amsterdam. Construction is almost complete and we are on track to open in the second half of 2013. Once open, we will have significantly improved our footprint, adding a further 107 rooms in this key destination.

Additional key future developments include the 158 room hotel development in West London which, when complete, will be an important strategic addition to our London portfolio. Progress continued on our first art'otel in London and our new hotel development in Nuremberg, Germany.

We announced in November 2012 that we were considering a number of options of how best to fund future expansion through investment in our existing hotel portfolio and to capitalise on new development opportunities as they arise. One option that the Company is considering is the release of part of the value of its hotel assets whilst retaining operational control. We remain committed to our growth strategy and the Board will communicate further updates as appropriate.

The team has worked extremely hard again this year and the Board would like to sincerely thank everyone for their continued dedication to the Group. Customer service is at the heart of everything we do and I am delighted that once again our people have enabled us to achieve excellent levels of guest satisfaction. Similarly, employee satisfaction remained at a high level. We thank everyone for their commitment to the continued development and growth of the business.

The Board is pleased to recommend to the Annual General Meeting the payment of a final dividend of 6.0 pence per share for the year ended 31 December 2012. Together with the interim dividend of 6.0 pence per share paid on 3 October 2012, the total dividend for the year will be 12.0 pence (2011: 6.0 pence).

2012 was a great year for the Group and as we enter 2013, I am convinced that we have the right strategy and team in place to continue our excellent progress. Our focus remains on offering our customers affordable luxury with a strong emphasis on service. We have a number of exciting projects in the pipeline and are well placed to achieve another year of growth.

Eli Papouchado  
Chairman

## **Chief Executive Officer's statement**

2012 was a busy year for our Company. Our hotels continued to make good progress during the year and we progressed with our development pipeline projects. Like all businesses we are not immune to the effects of the Eurozone crisis, however our leading position in key gateway cities, our strong commercial focus and our rigorous approach to cost management mean that we remained well positioned.

The markets in which we operate had differing performances during the year. The United Kingdom achieved year-on-year RevPAR growth, with London in particular performing well, benefiting from the Olympic Games. The Dutch hotel market was impacted by the macroeconomic environment, however, with the exception of one of our hotels which was undergoing refurbishment, we achieved RevPAR ahead of our competitive sets. The German market delivered a solid performance with Berlin in particular reporting good growth in RevPAR. Croatia is continuing to grow in popularity as a holiday destination and with our position in the Istria tourist market we are very well positioned to benefit from this trend.

Last year, I outlined the Company's focus of continuing to improve our overall performance, growing our average room rates, managing our expenses, progressing our development projects and adding new projects to the pipeline. I am very pleased to report that we have made good progress on all of these objectives which has resulted in us achieving record results. I am particularly proud that as a result of our emphasis on service excellence, we have once again achieved high levels of guest and employee satisfaction.

### **Overall performance**

Our strong financial results were primarily driven by three factors; a strong performance of our hotels in London, which were aided by the London Olympic Games, improved margins, and our increased hotel ownership in The Netherlands.

A large proportion of our revenue is generated by our London hotels which performed very well throughout the year. This result was further aided by key events in London, particularly the Olympic Games in August, during which our hotels experienced a significant uplift in RevPAR. Our flagship hotel, Park Plaza Westminster Bridge London continued to be our stand-out hotel throughout the year delivering a significant increase in RevPAR year-on-year.

In March 2012, we acquired full ownership of our three established hotels in The Netherlands – Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam, Park Plaza Utrecht – and the art'otel amsterdam project from our former joint venture partner. This transaction doubled the revenue and profit contributions from the three established hotels during the period. On a like for like basis, our Dutch hotels delivered a solid performance against a challenging trading environment.

The German and Hungarian region, which has historically been the most challenging region in which we operate, delivered an improved performance. This, along with tight cost control resulted in a significant reduction of the EBITDA loss for this region, which positively contributed to the Group's cash flow.

In line with our strategy, our team's key focus was on growing our average room rate, whilst tightly managing our cost base. In addition, we made progress towards delivering our hotel development pipeline which will add further value to the Group in the near future.

### **Our development approach**

We are committed to sustain growth. A key priority for the Group is to drive revenues by enhancing our established hotels through investment in renovation and extension projects, expanding our presence in existing markets and maintaining an active development pipeline. In addition we look to capitalise on new hotel opportunities in new markets.

Our future development plans will continue to capitalise on our expertise in construction, development, design and operations.

We own or part-own the majority of our hotels but we also work with well-chosen partners for capital investment projects, joint ventures, management contracts, operating leases and franchise agreements. This approach allows us to review and assess individual development opportunities as they arise.

### **Renovation projects and new development pipeline**

During the period we completed extensive renovations at Park Plaza Leeds in the United Kingdom, Park Plaza Amsterdam Airport and Park Plaza Victoria Amsterdam in The Netherlands, art'otel berlin city center west in Germany and art'otel budapest in Hungary. We believe our investment in these hotels will improve the long term operational performance by enhancing our customers' experience and our reputation for providing high quality affordable luxury.

Following extensive renovations at three Arenaturist hotels in Croatia, these hotels were rebranded as Park Plaza and opened in early summer 2012. This project has added over 800 rooms to the Park Plaza® Hotels & Resorts brand.

Looking to the future we are excited about the imminent opening of our new art'otel amsterdam, which will offer guests a unique lifestyle and art experience. This 107 room hotel is located in an iconic landmark building in the centre of Amsterdam, opposite Central Station. We continue to make progress on two new development projects in London; art'otel london hoxton and a two-acre site in West London. In addition, our fourth Park Plaza hotel in Germany is on track to open in Nuremberg in 2014. These development projects will significantly expand our presence in key gateway cities and will add a further 800 rooms to our portfolio by the end of 2015.

On 8 January 2013, we announced the conditional sale of our site at Pattaya Bay in Thailand and completion is expected in the first half of 2013. Having had the opportunity however to review the Thai market since acquiring the site in August 2011, the Board decided to sell its interest in the project and re-invest in other locations. The Board believes that Thailand offers exciting opportunities and under the terms of the disposal has the option to manage the completed development and/ or acquire the serviced apartment element of the project.

### **Industry recognition**

We are delighted that the industry has continued to recognise our hard work and dedication through industry accolades. During 2012 a number of our hotels were awarded the 'Tripadvisor Certificate of Excellence' and two of our team members were recognised in the Golden Key MVP Awards, winning 'Concierge of the Year Award' and the 'Service through Friendship Award'.

This recognition has continued into the new year with PPHE Hotel Group being awarded by the Sunday Times Best Companies to Work for "Ones to Watch" standard for 2013 and our flagship hotel, Park Plaza Westminster Bridge London was voted third out of over 900 hotels in the 'Best City Centre Hotels' by Laterooms.com's 'Simply the Guest Awards'.

### **Our strategic relationship**

We have a unique relationship with Carlson, one of the industry's leading hotel operators. We have continued to leverage this strategic relationship, which gives us the benefits of scale through access to a state-of-the-art reservation system enabling us to market our products globally, sophisticated sales tools, loyalty marketing programmes, promotional activity and global sales initiatives. These platforms and programmes provide us with incremental revenue for our hotels and generate significant exposure for the brands we operate.

Carlson opened several new Park Plaza hotels during the year including new hotels in Bangkok and Delhi. The continued expansion of Park Plaza will benefit the Group through greater customer recognition and improved cross marketing and sales opportunities. We participate in Carlson's guest, corporate client and meeting planners' loyalty reward programme, Club CarlsonSM. This scheme provides substantial benefits for its members with guest members earning gold points for each stay which can then be redeemed for rewards and hotels benefit from more frequent and longer visits by member guests. The loyalty scheme has grown significantly in the last year boasting nearly 10 million members worldwide (2011: circa 8 million members).

### **Marketing activity**

We actively look for opportunities to improve our overall performance through innovative revenue generation and marketing initiatives.

Increasing online booking activity across multi-platforms and growth in social media has continued apace and, in partnership with Carlson, we have further invested in expanding our online footprint. On the back of the growth of smartphones and tablet devices we have seen a strong increase in booking via these devices and in the summer we launched an art'otel mobile website.

We have benefited from the growth in social media with Park Plaza's social media fan base now well over a 100,000 members, which is larger than most of our competitors.

Our marketing activities included distributing nearly ten million targeted marketing emails to guests and subscribers. We achieved a record performance from marketing campaigns in the summer and winter periods, which drove a record level of visitors to our websites and increased room nights booked, generating direct revenue to the Group.

Following the Company name change to PPHE Hotel Group Limited in early 2012, we launched a new corporate website [www.pphe.com](http://www.pphe.com), strengthening our standing as an international, multi-brand hotel operator and owner.

### **Revenue management**

We have introduced a new, centralised revenue management structure to further drive our corporate revenue strategy and ensure revenue opportunities at all hotels are capitalised on. We have restructured the sales team with a clearer split between account management and new business development managers, with a view of improving efficiency and further implementing a target based approach. In addition we have introduced a highly sophisticated revenue management system, IDEAS which will enable us to identify revenue generation opportunities based on historic performances, market trends and anticipated demand levels.

### **Guest experience**

Our guests' experience is at the heart of everything we do and we are always looking at ways to enhance our service quality and improve our operational performance. As a result, we closely monitor guest and employee satisfaction as this is a key indicator for continued success.

We invite all our guests to complete a guest satisfaction survey online following their stay at our hotels. Guests rate the overall satisfaction of their stay and areas such as service levels provided and product quality. The hotels collectively generated nearly 70,000 completed surveys and recorded record levels with guest satisfaction at 8.30 (on a scale of 1-10) and service satisfaction of 8.48. We were able to achieve this impressive result thanks to the hard work and dedication of all our team members. In the year we have launched an Inspirational Service training programme which has also contributed to this improved service delivery.

Despite the pressure in some of the markets in which we operate, we have been able to continue to motivate our teams and maintained our high levels of employee satisfaction at 82.1%, with a continued high participation rate of 92%. This strong result is underpinned by our investment in employee career development. During the year, we developed our 'Feeling Welcome' induction programme to welcome all new team members and ensure they understand, live and breathe the PPHE Hotel Group culture and provide consistency of service to our guests.

We also fully launched you:niverse, our bespoke and highly intuitive intranet and e-learning portal across the Group. You:niverse has improved internal communications across the Group and provides a collaborative environment for all our team members.

### **Current trading**

Our performance in January and February of 2013 has not changed significantly compared to previous years. The first quarter of the year is generally our weakest and with the continued uncertainty in the macroeconomic environment, we remain on our guard and continue to focus on revenue generation whilst tightly managing our costs.

Boris Ivesha  
President and Chief Executive Officer

## Chief Financial Officer's statement

2012 has been another record year, with the Group delivering significant revenue and EBITDA growth. These results were primarily achieved through a strong operational performance of our London hotels, which benefited from the London Olympic Games, and our increased ownership within our Dutch hotel portfolio whilst continuing to focus on cost management and operational efficiencies.

### Occupancy

During the period occupancy across the Group was broadly maintained at 77.4% (2011: 77.7%), which was achieved alongside our continued focus on growing average room rates.

### Average room rate

In line with our strategy to grow average room rate and increase market share, we are pleased to report significant growth in average room rate to €130.9 (2011: €119.2), an increase of 9.8%.

### RevPAR

Improved revenue generation has been achieved with RevPAR increasing 9.4% to €101.3 (2011: €92.6), driven by a combination of maintained occupancy and growth in average room rate during the period.

### Room revenue

Reported room revenue increased by 19.6% to €166.2 million (2011: €139.0 million) during the period. On a like for like basis, room revenue grew by 12.9% to €156.9 million.

### Total revenue

During the period, reported total revenue for the Group grew by 19.6% to €242.1 million (2011: €202.4 million). This growth was primarily driven by our increased hotel ownership in The Netherlands and a strong operational performance of our London hotels and for the United Kingdom region the strengths of the Sterling against the Euro. On a like for like basis, total revenue increased by 13.0% to €228.8 million, showing a strong underlying performance.

Before inter-company elimination, total revenue for the Management and Holdings operations increased by 17.6% to €33.6 million (2011: €28.5 million). This growth is mainly a result of improved trading at our hotels in London and Arenaturist in Croatia, and a performance related incentive fee for one of our managed hotels.

### EBITDA

Reported EBITDA increased by 31.6% to €85.6 million (2011: €65.0 million), reflecting a strong performance of our London hotels, improved margins, full ownership in three hotels in The Netherlands and a foreign exchange translation impact. The improvement in EBITDA, and our continued focus on closely managing our cost base and driving operational efficiencies, resulted in a 322bps increase in EBITDA margin to 35.4% (2011: 32.1%).

On a like for like basis, EBITDA increased by 24.5% to €81.0 million and our EBITDA margin increased to 35.4%.

EBITDA for Management and Holdings operations increased by 31.9% to €14.2 million (2011: €10.8 million).

### Profit before tax

Normalised profit before tax increased by 76.7% to €24.0 million (2011: €13.6 million). This profit relates mainly to the improved operating performance of our London hotels, our Management and Holdings operations and the increased ownership in three hotels in The Netherlands.

Reported profit before tax was €67.6 million (2011: €10.6 million). The increase in reported profit relates mainly to gains arising from the application of IFRS accounting following the Group obtaining 100% control of previously jointly owned entities amounting to €45.7 million in capital gains and negative goodwill arising from the newly acquired interests in hotels amounting to €4.3 million and such other adjustments as outlined in the table below. The Group also had impairment charges of €6.2 million for the provincial hotels in the United Kingdom. In addition, the EBITDA contribution from the increased ownership in three hotels in The Netherlands amounted to €4.6 million.

**Reconciliation reported to normalised profit**

€million

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Reported profit before tax	67.6	10.6
Fair value movements on derivatives recognised in the profit and loss	(0.5)	4.7
Negative goodwill and capital gains after the acquisition of the remaining interests in three hotels and one development in the Netherlands	(50.0)	-
Fair value adjustment of the deferred purchase price of the acquisition of the remaining interests in three hotels and one development in the Netherlands (2012) and three hotels in the United Kingdom (2010)	(0.6)	-
Impairment of assets	6.2	-
Sales and marketing expenses in the Thai development project	0.4	-
Waiver of liabilities to related parties	-	(2.5)
Forfeited deposits from rescinded contracts of unit sales of Park Plaza Westminster Bridge London	-	(0.7)
Strategic advice expenses	0.9	1.5
<b>Normalised profit before tax</b>	<b>24.0</b>	<b>13.6</b>

**Earnings per share**

Reported basic/diluted earnings per share for the period increased by 349.2% to €1.64 (2011: €0.37). Normalised earnings per share was €0.59 (2011: €0.33), representing an 81.5% increase.

**Dividend**

The Directors are proposing a final dividend of 6.0 pence per share (2011: 6.0 pence). Together with the interim dividend of 6.0 pence per share (2011: Nil), paid on 3 October 2012, the total dividend for the year is expected to be 12.0 pence (2011: 6.0 pence).

Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 14 May 2013 to shareholders on the register at 2 April 2013. The shares will go ex-dividend on 27 March 2013.

**Financial position**

Net bank debt as at 31 December 2012 was €460.6 million, an increase of €73.5 million (as at 31 December 2011: €387.1 million). This includes €46.2 million of liquid assets (as at 31 December 2011: €31.0 million), of which cash and cash equivalents were €44.9 million (as at 31 December 2011: €29.5 million) and other liquid financial assets of €1.3 million (as at 31 December 2011: €1.5 million).

During the period, the movement in net bank debt included a €57.2 million increase due to the assumed debt of the acquired joint venture interests in three hotels and one development project in The Netherlands, €24.0 million increase to finance the acquisition of the joint venture interests in these three hotels and one development project, €6.7 million increase in loans for construction and renovation purposes, an increase due to foreign exchange of €7.6 million and a decrease of €8.7 million due to redemption of loans.

The Group's gearing ratio (net bank debt as a percentage of total capital (equity adjusted for the hedging reserve plus net bank debt) improved by 1.9% to 62.0% (as at 31 December 2011: 63.9%).

**Financial structure and investments****Acquisition of remaining interest in three hotels and one hotel project in The Netherlands**

On 16 May 2012, the Group completed the acquisition of the remaining 50% interest in, and related loan to, Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam, Park Plaza Utrecht and the art'otel amsterdam project from its joint venture partner.

The consideration for the acquisition comprised €23.0 million in cash, of which €12.0 million was funded by a new term loan with Bank Hapoalim B.M. and the remainder of the cash consideration was financed from existing facilities, the issue of 700,000 shares in the capital of the Company and deferred consideration payable on the fourth anniversary of the transfer of the shares under the terms of the agreement.

**Acquisition and simultaneous sale and leaseback of a development site in West London**

On 18 June 2012, the Group acquired the freehold property at 628 Western Avenue in West London for £6.0 million (€7.3 million) and simultaneously announced that it had completed the sale of the site at a price of £7.0 million (€8.6 million) and the leaseback of the site at an initial rent of £306,500 (€373,000) per year.

**Construction financing for mixed-use development Pattaya Bay, Thailand**

On 12 September 2012, the Group entered into a Thai Baht 1.100 million (€27.5 million) facility agreement. The facility was made available to finance the construction of a mixed-used development project located in Pattaya Bay (Thailand) with United Overseas Bank. The final maturity of the loan is September 2016. In January 2013, the Group entered into a conditional agreement to sell its shares in this project.

**Construction financing for development Nuremberg, Germany**

On 22 October 2012, we entered into a €11.7 million facility agreement with Deutsche Hypothekenbank to finance the conversion of a building in Nuremberg, Germany, into a hotel. The final maturity of the loan is 31 December 2016.

**Purchase of shares**

On 29 August 2012, we announced the purchase of 200,000 of our own ordinary shares, increasing the number of shares held in treasury to 1,862,000 (constituting 4.49% of the Company's issued share capital, excluding treasury shares).

**Looking ahead**

The Company is considering how best to fund its future expansion and take advantage of a number of opportunities to pursue organic expansion or acquisitions. One option that the Company is considering is the release of part of the value of its hotel assets whilst retaining operational control. This process is underway and will take a number of months.

In the year ahead, we look forward to building on the successes of 2012. We will remain focused on delivering a further EBITDA margin improvement through strong operational performance, our cost-effective management approach and further development of our financial structure and asset management initiatives.

Chen Moravsky  
Chief Financial Officer

## REVIEW OF OPERATIONS

### United Kingdom: Strong performance and benefiting from the London Olympic Games

#### Hotel operations

	Euro (€)		GBP (£)	
	Year ended 31 Dec 2012	Year ended 31 Dec 2011	Year ended 31 Dec 2012	Year ended 31 Dec 2011
<b>Total revenue</b>	€161.1 million	€140.0 million	£130.5 million	£121.8 million
<b>EBITDAR</b>	€60.7 million	€48.9 million	£49.2 million	£42.5 million
<b>EBITDA</b>	€59.5 million	€47.5 million	£48.2 million	£41.3 million
<b>Occupancy</b>	81.7%	82.1%	81.7%	82.1%
<b>Average Room Rate</b>	€169.2	€145.6	£137.1	£126.7
<b>RevPAR</b>	€138.2	€119.6	£112.0	£104.0
<b>Room Revenue</b>	€114.3 million	€98.6 million	£92.6 million	£85.8 million

#### United Kingdom hotel portfolio performance

Our hotels in London performed well during the year, due to continued strong corporate and leisure demand. In addition, in August our hotels significantly benefited strongly from the Olympic Games, with increased demand for hotel rooms and meeting and event spaces. All of the Group's London hotels, except one, outperformed their competitive set in RevPAR during the year (source: STR Global, December 2012). Our flagship hotel, Park Plaza Westminster Bridge London reported another strong performance in 2012, significantly outperforming its competitive set in terms of occupancy by 2.8%, average room rate by 25.0% and RevPAR by 28.5%.

Despite continued challenging trading conditions in the provincial destinations, in our first year of ownership, Park Plaza Leeds and Park Plaza Nottingham both delivered a slightly improved EBITDA contribution. Park Plaza Nottingham outperformed its competitive set in terms of occupancy, average room rate and RevPAR (source: STR Global, December 2012).

In line with strategy, management remained focused on increasing average room rate across the portfolio which resulted in overall RevPAR growth in Sterling of 7.7% to £112.0 (2011: £104.0). Occupancy remained flat at 81.7% (2011:82.1%). Total revenue grew by 7.2% to £130.5 million (2011:£121.8 million) and EBITDA grew by 16.8% in Sterling to £48.2 million (2011:£41.3 million). The reported results for the region were positively impacted by the strength of Sterling against the Euro.

#### Renovation projects and development pipeline

Since acquiring Park Plaza Leeds and Park Plaza Nottingham in 2010 we have invested in extensive renovation works at both hotels to refurbish rooms and public areas. Most of the renovation works at Park Plaza Leeds were completed in the first half of 2012. This investment and the repositioning of these hotels is expected to deliver an improved performance over the long term, although the recovery of the provincial markets in general is expected to take longer.

On 18 June 2012, the Company completed the acquisition and simultaneously sale and leaseback of a two acre development site at 628 Western Avenue in West London. Planning permission for a hotel was granted in 21012. The hotel that will be developed will offer 158 bedrooms, a lounge and bar, several meeting rooms and a health and fitness facility.

We continued to progress our plans for the development of art'otel london hoxton, our first art'otel in the United Kingdom. The hotel will have state-of-the-art guest rooms and facilities will include a modern top floor restaurant and bar, spa facilities, a publicly accessible arts centre, an art gallery and space for video artists and photographic studios.

During the year we developed a new restaurant concept called TOZI, which is due to open at Park Plaza Victoria London in March 2013. The name TOZI is derived from the Venetian dialect for "a group of close friends" and will reflect the restaurant's concept of sharing food, whilst in the company of friends.

## The United Kingdom hotel market

In 2012 the United Kingdom delivered a year-on-year growth. RevPAR grew by 1.4% to £58.33, driven by a 1.5% decrease in occupancy to 72.5% and a 2.9% increase in average room rate to £80.50 (source: STR Global, December 2012).

The London hotel market enjoyed its third successive year of profit growth, with the city particularly benefiting from the London Olympic Games in August. RevPAR increased by 3.4% to £112.37 reflecting a 3.7% increase in average room rates to £138.50. Occupancy was flat at 81.1% (source: TRI Hospitality HotStats, December 2012).

The hotel market outside of London continued to be more impacted by the economic recession, with increasing cost pressures outpacing revenue rises. Nevertheless RevPAR increased by 1.4% to £49.05, driven by a 0.9% increase in occupancy and a 0.5% increase in average room rate (source: TRI Hospitality HotStats, December 2012).

## The Netherlands: Strong increase in revenue and EBITDA due to increased ownership

Hotel operations	Euros (€)			
	Reported		Like for like *	
	Year ended 31 Dec 2012	Year ended 31 Dec 2011	Year ended 31 Dec 2012	Year ended 31 Dec 2011
<b>Total revenue</b>	€37.8 million	€24.8 million	€24.5 million	€24.8 million
<b>EBITDAR</b>	€12.4 million	€7.8 million	€7.8 million	€7.8 million
<b>EBITDA</b>	€12.3 million	€7.8 million	€7.7 million	€7.8 million
<b>Occupancy</b>	72.6%	74.9%	72.6%	74.9%
<b>Average room rate</b>	€108.5	€109.4	€108.5	€109.4
<b>RevPAR</b>	€78.8	€82.0	€78.8	€82.0
<b>Room revenue</b>	€27.0 million	€17.8 million	€17.7 million	€17.8 million

\* In the like for like comparison figures, the financial contribution of Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam and Park Plaza Utrecht in 2012 has been calculated on the basis of the ownership interest of PPHE Hotel Group in those hotels during the same period in 2011.

## Our Dutch hotel portfolio performance

Overall our hotels in the Netherlands reported a 52.5% increase in total revenue to €37.8 million (2011: €24.8 million) and a 58.6% increase in EBITDA to €12.3 million (2011: €7.8 million). These results were driven by the Group's increased ownership to 100% (previously 50%) of three hotels – Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam and Park Plaza Utrecht – from its former joint venture partner.

On a like for like basis total revenue declined by 1.3% to €24.5 million and EBITDA declined by 0.4% to €7.7 million, reflecting the continued challenging market conditions in The Netherlands.

Occupancy fell by 2.3% to 72.6% (2011:74.6%) reflecting the reduction in demand. Average room rate was broadly flat at €108.5 (2011: €109.4) resulting in an overall RevPAR reduction of 3.9% to €78.8 (2011: €82.0)

Despite the continued market challenges, each of the Group's hotels in the region, except Park Plaza Amsterdam Airport which was undergoing significant refurbishment in the year, delivered RevPAR ahead of its competitive set. In particular, the Group's provincial hotels, Park Plaza Eindhoven and Plaza Utrecht, outperformed their competitive sets, reporting RevPAR 12.6% and 41.3% ahead of their competitors respectively (source: STR Global, December 2012).

## Renovation projects and development pipeline

The Group has invested in extensive renovation works at Park Plaza Amsterdam Airport to remodel all the public areas and introduce new facilities, including an Executive Lounge, upscale boardroom, spa and fitness centre and a new bar and restaurant. The hotel is one of Amsterdam's largest conference hotels and this investment will improve the longer term revenue generation at the hotel.

Renovation of the meeting rooms at Park Plaza Victoria Amsterdam was also completed in 2012.

Construction of art'otel amsterdam is progressing well and is on track to open in the second half of 2013. In line with the art'otel brand, the hotel will be contemporary in interior design and will house a 10,000 sq ft art gallery which will be complemented by an extensive lounge, restaurant and entertainment facilities.

### The Amsterdam hotel market

The Amsterdam hotel market has continued to be impacted by the macroeconomic environment. The city experienced a marginal increase in demand with occupancy up 1.2% to 78.9%. However, average room rates remained under pressure and declined by 0.8%. RevPAR improved slightly by 0.5% (source: TRI Hospitality HotStats, December 2012).

### Germany and Hungary: All of our hotels grew their average room rate during the year

#### Hotel Operations

Euro (€)

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
<b>Total revenue</b>	€32.6 million	€30.2 million
<b>EBITDAR</b>	€8.8 million	€7.5 million
<b>EBITDA</b>	€(0.5) million	€(1.0) million
<b>Occupancy</b>	73.5%	71.7%
<b>Average room rate</b>	€72.7	€70.9
<b>RevPAR</b>	€53.4	€50.9
<b>Room revenue</b>	€24.9 million	€22.6 million

#### German and Hungarian hotel portfolio performance

Our hotels in Germany and Hungary delivered a 7.9% increase in total revenue to €32.6 million (2011: €30.2 million). The EBITDA loss was reduced by 53.0% to €(0.5) million (2011: €(1.0) million loss). This improvement was the result of an improved revenue generation and effective cost management.

Across our portfolio, occupancy increased to 73.5% (2011: 71.7%) and average room rate grew by 2.5% to €72.7 (2011: €70.9) respectively, resulting in a 5.1% increase in RevPAR to €53.4 (2011: €50.9), a much improved performance compared to previous years.

All our German hotels' average room rate increased during the year with three of our hotels in Berlin and our art'otel in Budapest delivering RevPAR ahead of their competitive sets (source: STR Global, December 2012).

#### Renovation projects and development pipeline

During 2012, extensive renovation works at art'otel berlin city center west and art'otel budapest were completed. The investment in these hotels will strengthen their market positions and increase the revenue potential of these hotels.

Following the introduction of a 61-room extension at art'otel berlin city center west in 2011, we further improved this hotel in 2012 by introducing a new bar and lounge, two meeting rooms and fitness facilities.

At art'otel budapest a significant number of rooms were renovated and a new bar and lounge facilities were introduced.

The fourth Park Plaza in Germany, located in the historic city centre of Nuremberg, is due to open in 2014.

## The German and Hungarian hotel market

Overall the German hotel market reported an improved performance. Occupancy increased by 2.2% to 66.3% and average room rate increased by 3.4% to €94.0. This resulted in a 5.7% increase in RevPAR to €62.4 (source: STR Global, December 2012).

The Berlin market reported a RevPAR increase of 8.5% to €63.8, driven by a combination of 4.6% occupancy growth to 72.5% and 3.7% increase in average room rate to €88.0. The Cologne hotel market reported a near flat performance, with RevPAR down 0.2% to €67.6, due to a 1.4% decrease in average room rate to €100.0, which was offset by a 1.2% increase in occupancy to 67.6% (Source: STR Global, December 2012).

## Management and Holdings Operations: Our Management and Holdings Operations reported strong growth

	Euro (€)	
	Year ended 31 Dec 2012	Year ended 31 Dec 2011
<b>Total revenue before elimination</b>	€33.6 million	€28.5 million
<b>Revenue within the consolidated group</b>	€23.0 million	€21.1 million
<b>External and reported revenue</b>	€10.6 million	€7.4 million
<b>EBITDA</b>	€14.2 million	€10.8 million

### Our performance

As an owner/operator, a significant part of our hotel portfolio is owned and managed by us, and all hotel management related revenues are eliminated upon consolidation as an intra-group revenue.

Prior to consolidation and elimination of intra-group revenue, total Management and Holdings revenue increased by 17.6% to €33.6 million (2011: €28.5 million). This growth is primarily a result of improved trading of our hotels in London and Arenaturist in Croatia, and a performance related incentive fee. After consolidation and the elimination of intra-group revenue, reported revenues increased by 47.7% to €10.6 million (2011: €7.4 million).

Reported EBITDA increased by 34.0% to €14.2 million (2011: €10.8 million).

### Croatia: 2012 was a truly special year as we opened the first three Park Plaza resorts

Arenaturist group is one of Croatia's best known hospitality groups and consists of eight hotels, six holiday apartment complexes, eight campsites and 52 food and beverage outlets, all of which are located in Istria.

Arenaturist group caters primarily for European tourists and the majority of accommodation is only operational during the summer months. All properties are located in prime locations by the sea and are a short distance from either the 3,000 year old city of Pula or the touristic Medulin.

In 2008, we acquired a 20% stake in WH/DMREF Bora B.V., the holding company of the Arenaturist group, and we were awarded the management agreement for Arenaturist. Arenaturist d.d. is listed on the Zagreb Stock Exchange. The Arenaturist group is accounted for as an associate in the consolidated statements.

2012 was a truly special year as we opened the first three Park Plaza branded resorts in partnership with Arenaturist. Following extensive renovations, we opened the flagship Park Plaza Histria Pula, which occupies a stunning seaside location and provides all amenities expected of a full-service, upscale hotel including a large spa and wellness and conference centre, the adjacent Park Plaza Verudela Pula which is especially suited for families due to its range of apartment style accommodation and Park Plaza Medulin which has created its own niche and caters to couple only. Our affiliation with Carlson gives us a distinct advantage in marketing these properties as the region continues to attract a growing number of tourists.

In preparation of their opening, our human resources teams trained all Arenaturist team members about the Park Plaza brand and Company values and the role every individual has in ensuring we consistently exceed guest expectations and deliver exceptional memories.

Croatia in general has yet again reported growth in visitor numbers, although despite not as strong as reported in 2011. Despite this slowdown in growth, Arenaturist has had a good summer season, and in

particular the newly opened resorts delivered an excellent performance. Not only did these three Park Plaza resorts perform above expectations, they also generated very positive guest reviews, they won awards, improved their business mix and are now true market leaders in these destinations.

Looking forward, we will continue with the further redevelopment of the Arenaturist group and we are pleased to report that Hotel Palma, which was located adjacent to Park Plaza Histria Pula, has now officially closed down for extensive renovations. Upon completion, the 127 guestrooms of this former hotel will become part of Park Plaza Histria Pula, further solidifying its flagship status. The extension of Park Plaza Histria Pula is expected to be completed in May, before the summer season commences.

The remaining guestrooms at Park Plaza Medulin, which were not included in the 2012 renovation project, are being renovated and will be ready for the 2013 summer season.

Further renovation projects across other Arenaturist properties are currently being reviewed.

For more information about Arenaturist, please visit [arenaturist.com](http://arenaturist.com) and for the Park Plaza branded resorts visit: [parkplaza.com/histria](http://parkplaza.com/histria), [parkplaza.com/verudela](http://parkplaza.com/verudela) or [parkplaza.com/medulin](http://parkplaza.com/medulin).

### **Principal risks and uncertainties**

Principal risks and uncertainties affecting PPHE Hotel Group will be detailed within the Annual Report for the year ended 31 December 2012, a copy of which will be made available on the Company's website at [www.pphe.com](http://www.pphe.com) in due course

**(Unaudited) Consolidated statement of financial position**

As at 31 December

	2012 €000	2011 €000
<b>Assets</b>		
<b>Non-current assets:</b>		
Intangible assets	38,174	40,748
Property, plant and equipment	762,922	610,881
Apart-hotel units under management	172,812	168,607
Prepaid leasehold payments	453	234
Investment in associate	21,561	21,508
Other non-current financial assets	8,195	30,311
Restricted deposits and cash	9,953	12,620
	<b>1,014,070</b>	<b>884,909</b>
<b>Current assets:</b>		
Inventories under construction	16,356	7,851
Restricted deposits and cash	5,987	3,563
Inventories	1,256	1,265
Other current financial assets	1,339	1,499
Trade receivables	19,753	16,939
Other receivables and prepayments	5,895	9,057
Cash and cash equivalents	44,903	29,506
	<b>95,489</b>	<b>69,680</b>
Total assets	<b>1,109,559</b>	<b>954,589</b>
<b>Equity and liabilities</b>		
<b>Equity:</b>		
Issued capital	–	–
Share premium	239,504	237,729
Other reserves	(36,524)	(36,544)
Treasury shares	(3,701)	(3,181)
Foreign currency translation reserve	(34,471)	(35,565)
Hedging reserve	(22,626)	(17,072)
Accumulated earnings	117,715	55,864
Total equity	<b>259,897</b>	<b>201,231</b>
<b>Non-current liabilities:</b>		
Bank borrowings	474,447	411,215
Advance payments from Apart-hotel unit holders	186,595	182,060
Deposits received from Apart-hotel unit holders	9,360	12,279
Other financial liabilities	68,798	86,502
Deferred income taxes	12,865	4,121
	<b>752,065</b>	<b>696,177</b>
<b>Current liabilities:</b>		
Trade payables	10,931	14,249
Other payables and accruals	54,236	36,019
Bank borrowings	32,430	6,913
	<b>97,597</b>	<b>57,181</b>
Total liabilities	<b>849,662</b>	<b>753,358</b>
Total equity and liabilities	<b>1,109,559</b>	<b>954,589</b>

**(Unaudited) Consolidated income statement**

	Year ended 31 December	
	2012 €000	2011 €000
Revenues	242,092	202,380
Operating expenses	(145,296)	(127,351)
<b>EBITDAR</b>	<b>96,796</b>	75,029
Rental expenses	(11,196)	(9,979)
<b>EBITDA</b>	<b>85,600</b>	65,050
Depreciation, amortisation and impairment loss	(28,079)	(18,492)
<b>EBIT</b>	<b>57,521</b>	46,558
Financial expenses	(28,854)	(28,227)
Financial income	3,323	3,511
Other income and expenses	49,210	1,720
Interest expenses guaranteed to Apart-hotel unit holders	(11,180)	(10,426)
Share in loss of associate	(2,430)	(2,502)
Profit before tax	67,590	10,634
Income tax benefit	386	4,619
Profit for the year	67,976	15,253
<b>Profit attributable to:</b>		
Owners of the parent	67,976	15,253
Non-controlling interests	–	–
<b>Basic and diluted earnings per share in Euro</b>	<b>1.64</b>	0.37

**(Unaudited) Consolidated statement of comprehensive income**

	Year ended 31 December	
	2012 €000	2011 €000
Profit for the year	<b>67,976</b>	15,253
<b>Other comprehensive income (loss):</b>		
Fair value gain (loss) on available-for-sale financial assets <sup>1</sup>	<b>55</b>	(107)
Reclassification adjustment for (profit) loss from available-for-sale financial assets recorded in income statement <sup>1</sup>	<b>(48)</b>	–
Loss from cash flow hedges <sup>2</sup>	<b>(5,554)</b>	(15,985)
Foreign currency translation adjustments of foreign operations <sup>3</sup>	<b>1,064</b>	1,360
Foreign currency translation adjustment of associate <sup>3</sup>	<b>30</b>	(418)
Other comprehensive income (loss)	<b>(4,453)</b>	(15,150)
Total comprehensive income	<b>63,523</b>	103
<b>Attributable to:</b>		
Owners of the parent	<b>63,523</b>	103
Non-controlling interests	–	–

<sup>1</sup> Included in other reserves.

<sup>2</sup> Included in hedging reserve.

<sup>3</sup> Included in foreign currency translation reserve.

## (Unaudited) Consolidated statement of changes in equity

In €000	Issued capital*	Share premium	Other reserves	Treasury shares	Foreign currency translation reserve	Hedging reserve	Accumulated earnings	Total	Non controlling interests	Total equity
Balance as at 1 January 2011	–	237,729	(36,445)	(1,083)	(36,507)	(1,087)	40,611	203,218	–	<b>203,218</b>
Profit for the year	–	–	–	–	–	–	15,253	15,253	–	<b>15,253</b>
Other comprehensive loss for the year	–	–	(107)	–	942	(15,985)	–	(15,150)	–	<b>(15,150)</b>
Total comprehensive profit	–	–	(107)	–	942	(15,985)	15,253	103	–	<b>103</b>
Purchase of treasury shares	–	–	–	(2,098)	–	–	–	(2,098)	–	<b>(2,098)</b>
Share-based payments	–	–	8	–	–	–	–	8	–	<b>8</b>
Balance as at 31 December 2011	–	237,729	(36,544)	(3,181)	(35,565)	(17,072)	55,864	201,231	–	<b>201,231</b>
Profit for the year	–	–	–	–	–	–	67,976	67,976	–	<b>67,976</b>
Other comprehensive loss for the year	–	–	7	–	1,094	(5,554)	–	(4,453)	–	<b>(4,453)</b>
Total comprehensive profit	–	–	7	–	1,094	(5,554)	67,976	63,523	–	<b>63,523</b>
Purchase of treasury shares	–	–	–	(520)	–	–	–	(520)	–	<b>(520)</b>
Issue of ordinary shares related to business combination	–	1,775	–	–	–	–	–	1,775	–	<b>1,775</b>
Share-based payments	–	–	13	–	–	–	–	13	–	<b>13</b>
Dividend Distribution	–	–	–	–	–	–	(6,125)**	(6,125)	–	<b>(6,125)</b>
Balance as at 31 December 2012	–	239,504	(36,524)	(3,701)	(34,471)	(22,626)	117,715	259,897	–	<b>259,897</b>

\* No par value.

\*\* The dividend distribution comprises a final dividend for the year ended 31 December 2011 of 6.0 pence per share and an interim dividend of 6.0 pence per share paid on 3 October 2012.

**(Unaudited) Consolidated statement of cash flows**

	Year ended 31 December	
	2012 €000	2011 €000
<b>Cash flows from operating activities:</b>		
Profit for the year	67,976	15,253
Adjustment to reconcile profit to cash provided by operating activities:		
Financial expenses and interest expenses guaranteed to Apart-hotel unit holders	40,034	38,653
Financial income	(3,323)	(3,511)
Income tax benefit	(386)	(4,619)
Capital gain from obtaining control in a former jointly controlled entity	(45,672)	–
Negative goodwill on obtaining control in a former jointly controlled entity	(4,317)	–
Fair value gain deferred consideration business combinations	(557)	–
Share in loss of associates	2,430	2,502
Depreciation, amortisation and impairment loss	28,079	18,492
Share-based payments	13	8
	<b>16,301</b>	<b>51,525</b>
Changes in operating assets and liabilities:		
Increase in inventories under construction	(8,453)	(6,487)
(Increase) decrease in inventories	130	100
Increase in trade and other receivables	1,570	55
Increase (decrease) in trade and other payables	4,049	(12,373)
	<b>(2,704)</b>	<b>(18,705)</b>
Cash paid and received during the period for:		
Interest paid	(38,140)	(30,521)
Interest received	135	146
Taxes received (paid)	(110)	(114)
	<b>(38,115)</b>	<b>(30,489)</b>
Net cash provided by operating activities	<b>43,458</b>	<b>17,584</b>
<b>Cash flows from investing activities:</b>		
Investments in property, plant, equipment and Apart-hotel units	(23,602)	(10,973)
Net change in cash upon acquisition of Dutch joint venture interest	(21,553)	–
Investments in intangible fixed assets	–	(1,003)
Loans to jointly controlled entities and to partners in jointly controlled entities	–	(82)
Decrease (increase) in restricted deposits	3,414	8,551
Proceeds from sale of available-for-sale investments	199	–
(Increase) decrease in restricted cash	(2,334)	(2,173)
Net cash used in investing activities	<b>(43,876)</b>	<b>(5,680)</b>

**(Unaudited) Consolidated statement of cash flows**

	Year ended 31 December	
	2012 €000	2011 €000
<b>Cash flows from financing activities:</b>		
Purchase of treasury shares	(520)	(2,098)
Proceeds from long-term loans	30,524	10,484
Repayment of long-term bank loans and other long term liabilities	(14,481)	(17,052)
Proceeds from assets sold and leased back under a finance lease	8,638	–
Dividend payment	(6,125)	–
(Repayment) loans from jointly controlled entities and from partners in jointly controlled entities	(2,674)	44
Net cash provided by (used in) financing activities	15,362	(8,622)
Increase in cash and cash equivalents	14,944	3,282
Net foreign exchange differences	453	587
Cash and cash equivalents at beginning of year	29,506	25,637
Cash and cash equivalents at end of year	44,903	29,506
	Year ended 31 December	
	2012 €000	2011 €000
<b>Significant non-cash transactions:</b>		
Issue shares	1,775	–
Total non-cash transactions	1,775	–

## Selected notes to (unaudited) consolidated financial statements

### NOTE 1: GENERAL

- a. The Preliminary Results of PPHE Hotel Group Limited (“the Company”) for the year ended 31 December 2012 are extracted from the (unaudited) consolidated financial statements of the Company for the year ended 31 December 2012 and were authorised for release by the Board on 4 March 2013. The audited consolidated financial statements are yet to be signed. The preliminary announcement has been prepared on the same basis and using the same accounting policies as the audited consolidated financial statements for the year ended 31 December 2011.
- b. Description of business and formation of the Company:  
The Company was incorporated and registered in Guernsey on 14 June 2007. The shares of the Company are publicly traded.  
The Company’s primary activity is owning, leasing, developing, operating and franchising primarily full service upscale and lifestyle hotels in major gateway cities and regional centres predominantly in Europe.
- c. Assessment of going concern:  
As part of their ongoing responsibilities, the Directors have recently undertaken a thorough review of the Group’s cash flow forecast and potential liquidity risks.  
The Group has entered into a number of loan facilities. The Board believes that the Group currently has adequate resources and in the future will generate sufficient funds to honour its financial obligations and continue its operations as a going concern for the foreseeable future.

### NOTE 2: EARNINGS PER SHARE

The following reflects the income and share data used in the basic earnings per share computations:

	As at 31 December	
	2012 €000	2011 €000
Profit	67,976	15,253
Weighted average number of Ordinary shares outstanding	41,357	41,682

Potentially dilutive instruments (134,000) in 2012 (2011: 195,000) had an immaterial effect on the basic earnings per share.

### NOTE 3: SEGMENTS

For management purposes, the Group’s activities are divided into Owned Hotel Operations and Management Activities. Owned Hotel Operations are further divided into three reportable segments: The Netherlands, Germany and Hungary, and the United Kingdom. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as for financial reporting purposes in the Consolidated income statement.

	As at 31 December 2012					
	The Netherlands €000	Germany and Hungary €000	United Kingdom €000	Management €000	Holding companies and adjustments <sup>2</sup> €000	Consolidated €000
<b>Revenue</b>						
Third party	37,845	32,592	161,075	10,580	–	242,092
Inter-segment	–	–	–	22,972	(22,972)	–
<b>Total revenue</b>	37,845	32,592	161,075	33,552	(22,972)	242,092
<b>Segment EBITDA</b>	12,317	(454)	59,538	14,199	–	85,600
Depreciation, amortisation and impairment						(28,079)
Financial expenses						(28,854)
Financial income						3,323
Interest expenses guaranteed to apart-hotel unit holders						(11,180)
Other income, net						49,210

Share in loss of associate	(2,430)
Profit before tax	67,590

#### NOTE 4: SEGMENTS CONTINUED

	The Netherlands	Germany and Hungary	United Kingdom	Holding companies and adjustments	Consolidated
Geographical information					
Non-current assets <sup>1</sup>	223,418	8,635	703,135	39,173	974,361

<sup>1</sup> Non-current assets for this purpose consist of property, plant and equipment, apart-hotel units under management, prepaid leasehold payments and intangible assets.

<sup>2</sup> Consist of inter-company eliminations.

As at 31 December 2011						
	The Netherlands €000	Germany and Hungary €000	United Kingdom €000	Management €000	Holding companies and Adjustments <sup>1</sup> €000	Consolidated €000
<b>Revenue</b>						
Third party	24,820	30,205	139,981	7,374	–	202,380
Inter-segment	–	–	–	21,146	(21,146)	–
<b>Total revenue</b>	24,820	30,205	139,981	28,520	(21,146)	202,380
<b>Segment EBITDA</b>	7,766	(966)	47,487	10,596	167	65,050
Depreciation and amortisation						(18,492)
Financial expenses						(28,227)
Financial income						3,511
Interest expenses guaranteed to apart-hotel unit holders						(10,426)
Other income, net						1,720
Share in loss of associate						(2,502)
Profit before tax						10,634

	The Netherlands	Germany and Hungary	United Kingdom	Holding companies and adjustments	Consolidated
Geographical information					
Non-current assets <sup>2</sup>	75,958	7,499	695,861	41,152	820,470

<sup>1</sup> Consist of inter-company eliminations.

<sup>2</sup> Non-current assets for this purpose consist of property, plant and equipment, prepaid leasehold payments and intangible assets.

#### NOTE 5: SUBSEQUENT EVENTS

- a. At 8 January 2013 the Company announced that it has entered into a conditional agreement with Red Sea Hotels Limited ("Red Sea") for the sale of all the Company's shares in its subsidiary, Leno Finance Limited ("Leno"), the company through which PPHE Hotel Group owns its interest in the site in Pattaya Bay, Thailand, and certain related loans and receivables, for a total consideration of US\$20 million (the "Disposal"). The consideration will not be payable on completion of the Disposal ("Completion"), but the whole of the consideration will be payable by Red Sea in cash by no later than January 2017 (by when it is expected that the Project will have been completed). However, Red Sea will be required to pay the consideration (in whole or in part, as applicable) earlier to the extent either that revenues from the sale of condominium units and serviced apartments exceed the aggregate of the total Project development costs (including all financing costs) and related tax liabilities or that value from the Project is otherwise released to Red Sea. As security for payment of the consideration, the Company will be granted a charge over the shares in Leno to be held by Red Sea, being no less than 63% of Leno's share capital.

Under the terms of the Disposal the Group will have an option to manage the completed development and/or acquire the serviced apartment element of the Project for US\$20 million. However, the Group will not be under any obligation to the Buyer to proceed with either.

Red Sea has agreed to use all reasonable endeavours to obtain the release of the Company from its obligation due to the UOB facility. The Group is currently assessing the impact that this transaction will have on the financial position and performance.

Completion is subject to the fulfilment of various conditions, including the consent of UOB, by 8 April 2013 (or such later date as the Company and Red Sea may agree).

- b. The landlord of Park Plaza Sherlock Holmes was seeking to increase the then passing rent of £650,000 at 29 September 2006. An arbitrator was appointed to determine the reviewed rent. On 8 February 2013, the arbitrator issued the arbitration award. The award provides that the increased rent as at 29 September 2006 will be £810,000, an increase of £160,000 per annum. In accordance with the award, Grandis must pay an additional £1,000,000 (for the period 29 September 2006 up and until 29 December 2012) alongside an interest payment of approximately £35,000. The award did not affect the result and equity of the Group, as the dispute was sufficiently provided for.
- c. The Directors are proposing a final dividend of 6 pence per share (2011: 6.0 pence per share), which will absorb £2.4 million of equity.

#### **NOTE 6 BUSINESS COMBINATIONS IN 2012**

- a. On 30 March 2012 ("Acquisition Date"), PPHE Netherlands B.V. (a wholly owned subsidiary within the Group (PPHEN)) entered into an agreement to acquire the remaining 50% interest in, and related loan to, Park Plaza Amsterdam Airport, Park Plaza Victoria Amsterdam, Park Plaza Utrecht and the art'otel amsterdam project (together the "Hotels") from a subsidiary of Elbit Imaging Limited ("Elbit"), for a nominal consideration of €26.5 million (fair value of the consideration is €25.9 million). On the Acquisition Date, the directors of Elbit resigned and the Company (through PPHEN) obtained full control over the Hotels. On 16 May 2012 ("Date of Transfer"), completion of the share transfer occurred.

The total consideration for the acquisition comprises:

1. €23 million in cash which has been satisfied in full on the Date of Transfer;
2. the issue of 700,000 shares at £2.11 per share in the capital of the Company (the "Consideration Shares"), with a fair value at Acquisition Date of €1.8 million; and
3. a deferred consideration, payable on the fourth anniversary of the Date of Transfer under the terms of the agreement, equal to 700,000 multiplied by the shortfall of the closing price of the Company's shares on the Date of Transfer below £4.17, subject to certain reductions set out in the agreement (the "Deferred Consideration"), but in any event, not exceeding £1.4 million (€1.7 million). The fair value of the deferred consideration at Acquisition Date is €1.1 million.

The Company has been granted an option to buy back all of the Consideration Shares which Elbit may own from time to time until the fourth anniversary of the Date of Transfer at a price of £4.17 per share. If the Company elects to exercise this option, the balance of the

Deferred Consideration will be reduced by an amount equal to £2.06 multiplied by the number of shares bought back. Any such exercise would be subject to shareholder approval under Guernsey law. All amounts due to Elbit are fully guaranteed by the Company.

As the Company has achieved full control over the Hotels, which were previously held under joint control, the transaction is accounted for as a business combination achieved in stages ("step acquisition"). Accordingly, Management has re-measured the Company's previously held equity interests in the Hotels at the Acquisition Date at fair value and recognised a gain of €45.7 million, which is recorded in other income along with the negative goodwill of €4.3 million. The previously held interest, representing the Company's 50% shares accounted for by using the proportionate consolidation method and on acquisition, the 100% interests were recorded at fair value, as disclosed on the next page.

The fair values of the identifiable assets and liabilities as at the Acquisition Date are presented below:

	Fair value recognised on acquisition €000
Property, plant and equipment	186,099
Trade receivables	1,296
Cash and cash equivalent	2,894
Other current assets	994
	191,283
Trade creditors	3,342
Long term loans	112,297
Deferred tax liabilities	8,950
Other current payables and accruals	6,220
	130,809
<b>Net assets</b>	<b>60,474</b>
<b>Total consideration</b>	<b>25,920</b>
Fair value of previously held interest (50%)	30,237
	56,157
<b>Negative goodwill</b>	<b>(4,317)</b>
<b>Gain on re-measurement of previously held interest</b>	<b>€000</b>
Carrying amount of previous held interest	(15,435)
Fair value previously held interest	30,237
Gain on re-measurement of previously held interest	45,672
<b>Cash flow on acquisition</b>	<b>€000</b>
Net cash acquired with the subsidiary	1,447
Cash paid	(23,000)
Net cash outflow	(21,553)

From the Acquisition Date (being 30 March 2012) to 31 December 2012, the Hotels (at 100% ownership) have made a contribution of €26.7 million to the Group's revenue and €0.5 million to the Group's profit. If the combination had taken place at the beginning of 2012, the total consolidated revenues and profit for the year ended 31 December 2012 would have amounted to €245.3 million and €67.0 million, respectively.

Out of the gross contractual amount in trade receivables of €1.4 million, €1.3 million is expected to be collected.

Transaction costs arising from this transaction were not material and were recorded in the profit and loss.

The excess of the fair value of the net assets acquired over the consideration paid amounting to €4.3 million was allocated to negative goodwill on the basis of a final purchase price allocation and is presented under "other income". The reason for this negative goodwill is the fact that the Group was in a good position to negotiate this transaction.